2001-2002 ANNUAL REPORT

MANITOBA GAMING CONTROL COMMISSION

Manitoba Gaming
Control Commission

MISSION

The Manitoba Gaming Control Commission is an independent commission created to regulate and control gaming activity in the Province of Manitoba with the aims of ensuring that the gaming activity is conducted honestly, with integrity and in the public interest.

The Commission recognizes the diversity of views with respect to gaming and will take a reasoned and balanced approach toward gaming activities in our province.

The Commission will strive at all times to treat its employees, its clients and the general public with respect, fairness and service beyond question.

September 18, 2002

Honourable Steve Ashton
Minister charged with the administration of
The Gaming Control Act
Room 203, Legislative Building
450 Broadway
Winnipeg, Manitoba R3C 0V8

Dear Mr. Minister:

I have the honour to submit, pursuant to section 5 of *The Gaming Control Act*, a report of proceedings under The Act for the fiscal year ended March 31, 2002.

Respectfully submitted,

Darlene Dziewit
Chair

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FROM THE CHAIR

Our responsibilities may simply be described as regulatory and advisory. However, our capabilities are myriad. And in the coming year, the Commissioners look forward to continuing to apply the tenets of fairness, balance and equity to the regulatory framework within which we meet our responsibilities of ensuring the integrity of gaming activities in Manitoba.

Capturing and articulating a year's worth of activities in an annual report, let alone in a few pages of remarks, is a daunting task. Throughout the year the Board's activities, and by extension, those of management and staff, are carried out in the context of legislation and regulation, fairness and impartiality, and deliberation and review. Beyond these broad concepts and definitions however, and to put a finer point on our responsibilities – the Manitoba Gaming Control Commission's (MGCC) activities can be briefly described as regulatory and advisory.

Our last annual report prominently featured our mission statement – and while our commitment to this statement has not wavered – this year we have chosen to highlight the duality of our responsibilities in ensuring gaming activities are conducted fairly, honestly and in the public interest.

While our regulatory responsibilities are framed within legislation, regulations, policies and procedures, the Board's advisory capabilities are fueled by a diversity of views, balanced review and informed consideration of each issue. Consistent evaluation of information and application of rules and practices ensure we bring objectivity and impartiality to our responsibilities – whether granting a licence to a charitable organization, conducting a background investigation on a gaming supplier, or presiding over a hearing. Conversely, our agency's advisory capabilities benefit from looking outside past practices, seeking alternatives and encouraging new options.

Our regulatory and advisory capabilities were brought to bear as the Commissioners completed the first phase of the charitable gaming review, and released the new terms and conditions for raffle licences. The MGCC owes thanks and appreciation to the over 100 charitable organizations and First Nations Gaming Commissions that contributed to the development of the new rules that guide raffle conduct. The overwhelming response to this review and the positive responses to the new terms and conditions were gratifying, and demonstrated our licensees' interest in MGCC activities. As such, this year's annual report features a special section focusing on charitable gaming activities in the province, with particular attention paid to

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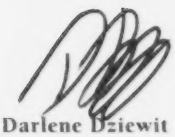
the findings of the raffle review. We hope you find the information interesting and useful.

Given our stakeholders and the public's interest in gaming activities, the MGCC hopes to continue to identify and highlight specific issues related to gaming in future annual reports. We, like many Manitobans, are keenly aware of the changes in the province's gaming environment during the past 15 years; changes that are echoed nationally and internationally. Even since the MGCC's establishment less than five years ago, the emergence of the Internet and new game technologies, concepts related to responsible gambling, expanding research activities and new First Nations gaming policies have impacted advisory and regulatory responsibilities. Accordingly, the Commissioners have established a Legislative Review Committee to review emerging issues related to regulatory strength and control.

The principles of regulatory strength and control were further emphasized when the first *Comprehensive Provincial Framework Agreements* for First Nations casino operations were finalized; agreements with the Aseneskak Casino consortium, and Brokenhead Ojibway Nation were signed with the Province in mid 2001. These Agreements, in conjunction with *Conduct and Management Agreements* between the proponents and Manitoba Lotteries Corporation (MLC), establish the framework for on-reserve gaming operations. As outlined in the Year in Review section, registration activities for Aseneskak Casino employees, suppliers and gaming equipment were completed with strict adherence as those that apply to MLC operations. The MGCC will continue to be closely involved with the First Nations Casino Project as regulator, and in keeping with the appointment of the MGCC's Executive Director as the Province's Designate for oversight of the Agreements.

The activities I have noted, and a number of others, are outlined in greater detail in the section, Year in Review. I encourage you to further review our activities and accomplishments, including the special report on charitable gaming, as well as the financial statements in this report of the MGCC's activities for 2001-2002.

As I noted at the beginning of my remarks, our responsibilities may simply be described as regulatory and advisory. However, as the foregoing reveals, our capabilities are myriad. And in the coming year, the Commissioners look forward to continuing to apply the tenets of fairness, balance and equity to the regulatory framework within which we meet our responsibilities of ensuring the integrity of gaming activities in Manitoba.



Darlene Dziewit
Chair

The launch of the new website at **www.mgcc.mb.ca** kicked off a new electronic presence in late 2001. Developments and improvements in the coming year will bring continued benefits including ease of service and access to information for licensees, registrants, other stakeholders, and to MGCC staff and management.

In October 2001, the Manitoba Gaming Control Commission (MGCC) began its fifth year of operation and service to Manitobans. When the MGCC was formally established in 1997, it was generally viewed as a regulatory body with the aims of ensuring that gaming activities are conducted fairly, honestly and in the public interest. Matters related to registration, licensing, game integrity, audit, inspections and investigations were clearly established as our primary operational areas.

However, as the few intervening years have shown, the MGCC has demonstrated its diverse capabilities as advisor, investigator, negotiator, arbiter and regulator. What was originally the primary order of business - establishing regulations, policies and procedures, based on federal and provincial enabling legislation - has now become a framework within which the MGCC accomplishes its responsibilities, sets goals and marks achievements.

On behalf of the staff and management, I am pleased to note several significant accomplishments and milestones in various projects that will further permit us to adapt our capabilities to the needs of those we serve.

It is fair to say that almost all of the MGCC's departments were involved either directly or indirectly in the continued implementation of the Province's First Nations Casino Project. Early in the fiscal year the MGCC was appointed to take the lead in agreement negotiations on behalf of the Province, and to formalize matters related to casino operations and gaming conduct and management activities.

Beyond these responsibilities, and in keeping with already established regulations and policies, the MGCC ensured the regulatory requirements for new casino development were met and are being

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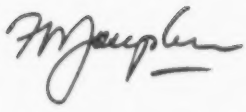
maintained. Of these requirements, the most significant include MGCC approvals for financing arrangements and governance structures, as well as employee, supplier and equipment registration. The Casino Project, which began in late 1999, resulted in the February opening of the Aseneskak Casino, at Opaskwayak Cree Nation, Manitoba's first, First Nations owned and operated casino development. The MGCC played an integral role in moving this initiative from policy concept to actual operations, and we look forward to continuing our work with management and staff at the Asenesak Casino.

Also, during the past year, the MGCC's new information system began to take shape. Following a rigorous selection process, EDS Canada was chosen to build our new system for communicating with each other, and with our stakeholders. The launch of the new website at **www.mgcc.mb.ca** kicked off a new electronic presence in late 2001. Developments and improvements in the coming year will bring continued benefits including ease of service and access to information for licensees, registrants, other stakeholders, and to MGCC staff and management.

Charitable gaming continued to be a main focus of the Commission's activities, particularly in light of the Board initiated review of the terms and conditions governing charitable gaming operations in Manitoba. As noted in Ms. Dziewit's comments, the MGCC has paid particular attention to this sector of the gaming industry, with a special section highlighted in this report. Following the Board's recommendations, new terms and conditions for raffles were finalized and published, and will come into effect on April 1, 2002; preparations are underway for a similar review of bingo and breakopen events in the coming year.

With an eye to the future, the MGCC looks forward to continuing to diversify its capabilities while maintaining its commitment to Manitoba's charities and the people they serve, the employees and suppliers to the province's casino and gaming operations, and to the general public, for whom the matters of fairness and integrity are the cornerstone of all we undertake in service to Manitobans.



F.J.O. Josephson
Executive Director

YEAR IN REVIEW

The Manitoba Gaming Control Commission's (MGCC) mandate carries with it a diversity of roles that demand collaboration amongst Commissioners, management and staff to meet our aims of honesty, integrity and the public interest. This past year has seen all departments at the MGCC continue to meet their goals of offering the participants and suppliers of gaming activities in Manitoba the highest levels of service and game integrity.

In the context of the MGCC's regulatory imperatives, the term integrity may best be described as the quality or state of being complete, unimpaired and sound. The responsibility of establishing and maintaining such a framework for Manitoba's gaming environment is one of the most complex aspects of the MGCC's operational activities and goes to the heart of the concept of fair play. Client activities are at the forefront of this process as the MGCC works closely with Manitoba Lotteries Corporation (MLC) employees and suppliers, VLT siteholders, charitable organizations, Manitoba First Nations and all members of the general public who participate in gaming activities in the province. These operations include: enforcing terms and conditions for MGCC licensed gaming events; ensuring the terms and conditions of the VLT Siteholder Agreement registrations are met and maintained; and conducting inquiries into player disputes. The MGCC is also responsible for inter-jurisdictional matters pertaining to *Criminal Code of Canada* violations. In this regard, the Commission works with other law enforcement agencies to ensure that reported violations are delegated to the appropriate policing authority.

In Manitoba there are multiple gaming options available for public participation including electronic and paper bingo, breakopen tickets, raffles, numerous types of electronic and table games, as well as lottery tickets. In order to maintain the consistency and quality of these options for all Manitobans the MGCC is involved in every aspect of the technical side of gaming, from the size, shape and composition of the ball on a roulette wheel, to the opacity of the covering on a scratch-and-win ticket, to the statistical probabilities of symbol combinations on slot machines and VLTs, and any public complaints related to these technical integrity issues. Technical integrity is a dynamic concept that requires the MGCC to be in frequent contact with other regulatory agencies in different jurisdictions to ensure Manitoba's standards keep pace with new developments.

To further emphasize our commitment to game integrity and regulatory compliance every year, a review is conducted of all registered gaming and non-gaming suppliers in the province. In 2001-2002, a Board driven initiative resulted in changes to the regulations governing the registration of these suppliers. This resulted in a change to the sales thresholds for supplier registration. As of late November 2001, all gaming suppliers of goods and services in excess of $100, and all non-gaming related suppliers of goods and services in excess of $100,000 must be registered with the MGCC. The MGCC expects that the changes to these threshold definitions will streamline the annual review process, enabling the Registration Department at the MGCC to concentrate their efforts on virtually all gaming suppliers, while still regulating the major non-gaming suppliers.

In addition to supplier registration, *The Gaming Control Act* also requires the MGCC to register all MLC employees, commercial and First Nations VLT Siteholder Agreements, VLTs, slot machines and all other electronic gaming machines. The registration process for employees and applicants may include criminal record checks, credit checks, references and personal interviews.

Registered Electronic Gaming Devices	March 31, 2002
McPhillips Street Station Casino	1173
Club Regent Casino	1187
Aseneskak Casino	177
Video Lottery Terminals	5220
Total Electronic Gaming Machines	7757
Lottery Ticket Terminals	845

MGCC Registrations: Employees, Suppliers and Agreements	March 31, 2002
MLC New Applicant Employees Registered in Fiscal Period	385
MLC Employees – Renewals/Annual Updates in Fiscal Period	1809
Aseneskak New Applicant Employee Approvals	259
MLC Current Gaming Suppliers	41
MLC Current Non-Gaming Suppliers	114
VLT Siteholder Agreements Currently Registered	591

The main policy advisory role of the Commission is found in its responsibilities to the Minister charged with the administration of *The Gaming Control Act*. Through ongoing deliberation and consultation with its Board, management and staff the MGCC works to ensure that a diversity of views are drawn upon to address and inform about gaming issues. The MGCC also works in conjunction with other organizations, such as the Addictions Foundation of Manitoba (AFM) and the Responsible Gambling Council (Ontario) to further enhance the spectrum of opinions represented.

In order to maintain a strict level of objectivity and ensure fairness and equity, the MGCC's Board of Commissioners conducts hearings as part of an overall appeal process for employee applicants, licensing, technical integrity and registration approvals, and for regulatory breaches or disputes brought forward by MLC patrons or suppliers. These hearings are open to the public and may be initiated by third parties to ensure a fair and transparent process. The context of the hearings dictates that the Commissioners are represented and assisted by legal counsel; separate legal counsel represents MGCC staff as required. The use of separate legal counsel ensures non-partisan legal representation and independent advice to the Commissioners and MGCC staff, as well as allowing for the highest degree of integrity to be maintained in the process. During 2001-2002 the MGCC conducted seven hearings.

The Board's Charitable Gaming, Research and Education, and Legislative Review Committees are key components to the MGCC's continuing interest and commitment to gaming policy advice and research. During this past year the Charitable Gaming Committee established the new *Raffle Terms and Conditions* following a comprehensive review. The committee will be engaging in a similar review for bingo and breakopen ticket events in the coming year as part of its interest in responding to the needs of charitable organizations and their patrons. In recognition of the Board's particular interest in this regard, a section has been prepared for this annual report which focuses exclusively on charitable gaming, with special attention to the review of *Raffle Terms and Conditions*.

The Research and Education Committee has established proactive research gathering initiatives designed to better inform deliberations and policy recommendations by the Board and the Commission as a whole. One of the initiatives undertaken this year involved the socio-economic benchmarking of indicators to measure impacts related to gaming activities. The MGCC gathered data on gaming and non-gaming indicators to set a starting point for this longitudinal study to measure changes and assess effects on socio-economic issues.

Since *The Gaming Control Act* was passed in the mid-nineties, there have been a number of changes to the gaming policies and practices in Manitoba and other jurisdictions. Some of these changes have occurred as a result of issues such as: responsible gambling, new research studies, First Nations Gaming, the emergence of the Internet and game technologies. In order to address these issues the MGCC's Legislative Review Committee has begun looking at our enabling legislation and related regulations to ensure continued regulatory strength and control.

In its ongoing commitment to research related to problem gambling, the MGCC worked with the AFM on its 2001 initiative to survey gambling involvement and measure problem gambling rates in Manitoba. As a part of this study the AFM was able to estimate the Canadian Problem Gambling Index (CPGI) rate in Manitoba and compare it to similar studies conducted in 2001 for Alberta, Saskatchewan and Ontario.

The CPGI represents a scoring system developed by a national advisory council with representation from the MGCC. The CPGI scores are used as an indicator in determining the amount that a person is experiencing personal or interpersonal difficulties as a result of his or her gambling activity and behavior. Through its committee work, involvement in research studies and its support of initiatives like the establishment of the CPGI, the MGCC is taking a proactive approach to gaming research in the province and contributing to increasing the overall body of knowledge and research on gambling.

2001 CPGI – Provincial Results

Problem gambling (CPGI) %	Manitoba	Saskatchewan	Ontario	Alberta
Moderate risk gamblers	2.3	4.7	3.1	3.9
Problem gamblers	1.1	1.2	0.7	1.3

Statistics are taken from the AFM's 2001 study: *Gambling Involvement and Problem Gambling in Manitoba*

Of all the initiatives undertaken in the area of First Nations gaming during the past year, there is no doubt that the Commission's responsibilities in establishing the *Comprehensive Provincial Framework Agreement* (CPFA), which set the framework for the operations of First Nations casinos in the province, were the most significant.

The MGCC has been involved in the First Nations Casino Project (FNCP) from its inception, and its close involvement was underscored when the Province appointed the MGCC's Executive Director to serve as the Provincial Designate responsible for agreement negotiation and oversight. The strong regulatory and operational framework, including the MLC's *Conduct and Management Agreement*, guarantees that casino patrons in Manitoba will experience consistent game integrity, service and operating policies when participating in casino gaming in the province.

As a result of its role in establishing the CPFA, the MGCC was at the forefront of negotiations that resulted in the signing of these agreements between the Province and the Aseneskak Casino Limited Partnership and Brokenhead River Casino Resort in mid 2001. The negotiation of future CPFAs between proposed First Nations casino operators and the Province will be subject to the same regulatory framework established for the first agreements.

After signing a CPFA in the fall of 2001, the Aseneskak Casino completed planning and construction of its facility; it opened for operation on February 15, 2002. In keeping with its existing mandate of ensuring that all MLC casino employees and suppliers are registered with the MGCC, the

Aseneskak Casino has been subject to an identical process for the approval of their employees and suppliers. Further, the CPFA established criteria related to casino board membership, financial approvals and regulatory compliance for other gaming activities. In order for a First Nations casino operator to meet regulatory requirements, the MGCC must approve all individuals or entities that hold an ownership interest and provide financing to the First Nation casino operator, as well as all officers and directors of each operator. First Nations casinos are also subject to the same procedures for technical integrity as the other casino operations in the province.

Beyond matters related to First Nations casino development there are other issues surrounding this distinct environment. For example, a First Nation may establish a First Nations Gaming Commission (FNGC) as the licensing authority for specific activities including bingo, breakopen ticket and raffle events; on-reserve groups may also apply for licences directly from the MGCC. The MGCC represents the Province in the establishment of FNGCs and works with those First Nations that have chosen to establish their own commissions. In this way the MGCC, on behalf of the Province, ensures that the terms and conditions for obtaining a licence for charitable gaming are the same on and off-reserve. There are also a number of First Nations that have negotiated VLT Siteholder Agreements with the MLC.

The Commission also works as a liaison between those First Nations seeking to enter into VLT Siteholder Agreements with the MLC, by providing assistance and advice to both parties.

First Nations Gaming Overview	March 31, 2002
There are 62 First Nations in Manitoba	
There are 32 First Nations Gaming Commissions representing 32 First Nations	
During the 2001-2002 fiscal period, the MGCC issued 51 charitable gaming licences to 36 organizations for on-reserve gaming activities	
There are 26 First Nations with VLT Siteholder Agreements	

CHARITABLE GAMING ($ millions)									FISCAL YEAR 2001-2002	
Event Type	Licensed Events		Gross Revenue		Prizes Paid		Total Expenses		Net Profit	
	01/02	00/01	01/02	00/01	01/02	00/01	01/02	00/01	01/02	00/01
Bingo	510	520	$79.7	$78.4	$60.8	$61.4	$9.4	$9.2	$9.5	$7.8
Breakopen	429	435	$11.1	$11.6	$7.7	$8.1	$1.0	$1.1	$2.4	$2.4
Raffle	172	142	$12.7	$11.4	$5.4	$4.7	$2.7	$2.2	$4.6	$4.5
Other	24	28	$0.1	$0.2	$0.1	$0.2	$0.0	$0.0	$ –	$ –
Totals:	**1135**	**1125**	**$103.6**	**$101.6**	**$74.0**	**$74.4**	**$13.1**	**$12.5**	**$16.5**	**$14.7**

For an analysis of trends and statistics related to charitable gaming please refer to the special section on charitable gaming.

One of the longest standing mandates of the MGCC is its link to charitable gaming organizations in Manitoba. The involvement of the MGCC in charitable gaming assures that licensed charitable gaming activities in the province are conducted fairly, honestly and consistently. The MGCC further ensures that revenue raised is used for the benefit of the community.

In order to establish a consistent regulatory environment for charitable events such as bingo, breakopen ticket, raffle, Calcutta Auction, Monte Carlo and sports draft activities, the MGCC has established terms and conditions specific to each type of licence. The terms and conditions include: the types of organizations that qualify for a charitable gaming licence, the maximum allowable level of expenses and the terms of disclosure regarding prizes and winners. MGCC auditors are involved in maintaining the financial accountability of MGCC licensed charitable organizations through their review of each financial report related to inventory, revenues and disbursements.

The above chart represents an overview of MGCC licensed charitable gaming during the past two fiscal years. For an analysis of trends and statistics related to charitable gaming please refer to the special section on charitable gaming.

One of the most significant events at the MGCC this past year involved the creation of a new Gaming Management System (GMS), which will improve all aspects of our operations. During the past year the process for the development of the new GMS has progressed from the initial selection phase through to the on-site implementation phases at the MGCC. An Evaluation Team was created to select the proposal best able to meet the MGCC's business requirements. After compiling all the necessary data and comparing it to predetermined criteria, the Evaluation Team selected EDS Canada. Preliminary work began in June of 2001, with work on the new information system commencing in September of 2001.

The first step in this process was development of a new website, which was launched in November of 2001. This new website **www.mgcc.mb.ca** serves as a template for future web-based services currently in development. Work on the GMS began with internal deliberations designed to permit EDS to identify and develop an integrated computer information system to improve our gaming control processes and the systems associated with them. Upon completion of its initial assessment, EDS began building a new web-based information system supported by the specifications from all departments at the Commission. The MGCC is confident that this new system will allow us to improve our service standards by:

- *Improving effectiveness* for licensing, monitoring, inspecting and investigating gaming activities in the province of Manitoba.

- *Increasing efficiency* by permitting more work per unit of resource, more quickly than is currently possible, through reducing the processing time for each licence application without increasing staff count or workload.

- *Enhancing client service* with increased service levels, responses, and client options for interaction with the MGCC, particularly through the web-based application processes.

- *Improving information sharing* across multiple MGCC departments and processes which should further improve effectiveness, efficiency and client service.

The MGCC expects that the bulk of these improvements will be in place by the end of the 2002-2003 fiscal year.

CHARITABLE GAMING

"...many charitable organizations rely on revenues from charitable gaming activities to provide programs and services that benefit their communities."

The MGCC strives to provide all of its stakeholders with relevant assistance and information on gaming related issues. This commitment furthers the Commission's goal of promoting informed, balanced perspectives when it comes to gaming activities. It applies whether your point of view is that of a member of a charitable organization, a participant in gaming activities, or a citizen of the province of Manitoba.

This year the MGCC is inaugurating a new section of its annual report. This special section will focus on a different area of interest each year with the intention of providing more information and a broader range of perspectives on gaming related issues.

This year's focus is Charitable Gaming. The MGCC recognizes that many charitable organizations rely on revenues from charitable gaming activities to provide programs and services that benefit their communities. Often, these gaming activities also play another important role as popular community pastimes. Responsibilities related to charitable gaming comprise some of the core functions of the MGCC as set out in *The Gaming Control Act*. As such, the Commission has gathered some information about the nature of Manitoba's charitable gaming environment.

Each annual report previous to this included a brief analysis of the charitable licensee revenue figures for the previous year. This year, in the interest of taking a more detailed look at changes in the charitable gaming environment, we have reviewed the figures for the past five years to identify trends in key indicators such as number of licensees, prize values, expenses and the net profit returned to charities.

Further, the MGCC is in the midst of a comprehensive review of the terms and conditions for the gaming activities that it licenses. Charitable gaming issues will continue to be of increased interest and consideration as the review continues this coming year and into the next. During 2001-2002, our attention continued to focus closely on a review of raffle terms and conditions; a summary of the review and its results is integrated in this report.

The MGCC's commitment to its charitable gaming stakeholders is an ongoing process rather than a project with a set completion date. When the MGCC conducted a business process review in preparation for a new information system a few years ago, it initiated an evolution in the way that the Commission serves all of its clients and stakeholders. The influence of this review continues to manifest itself in ongoing improvements to the services and resources available to our charitable gaming stakeholders.

CHARITABLE GAMING REVIEW

In 2000 the Board of Commissioners established a Charitable Gaming Committee and charged it with undertaking a review of the terms and conditions governing the different types of charitable gaming licences issued by the MGCC. These had not been reviewed since the mid-eighties, and the Commissioners felt that significant changes in the gaming environment since that time required that the terms and conditions be reviewed and revised to better reflect and balance the needs of charitable organizations and the best interests of the people of Manitoba.

All charitable gaming activities licensed by the MGCC are governed by terms and conditions specific to each gaming activity. There are terms and conditions for raffles, bingos, breakopen tickets, Monte Carlos, Calcutta Auctions and sports draft gaming activities. The terms and conditions set out the requirements for such things as financial and event reporting, rules of play, expense or prize limits, and procedures for the awarding of prizes, among others. These terms and conditions are then supported by written internal policies which guide MGCC staff in applying the terms and conditions. They provide criteria for assessing the application of each term and condition to the various schemes and gaming activities.

The charitable gaming review entails an analysis and revision of the terms and conditions and their related internal policies in order to promote both fairness and flexibility, while still meeting our mandate of maintaining the honesty and integrity of charitable gaming activities.

THE CHARITABLE GAMING REVIEW IS GUIDED BY THE AIMS OF:

- ensuring that new terms and conditions meet the needs of Manitoba's charitable organizations and the best interest of the public;
- allowing the MGCC to be responsive to emerging issues and allowing for flexibility for changing trends in the marketplace; and
- ensuring compliance with *The Gaming Control Act and Regulations* and the mandate of the MGCC.

REVIEW OF *RAFFLE TERMS AND CONDITIONS*

As the first step in the Commissioners' review of the terms and conditions for all charitable gaming activities, the Charitable Gaming Committee embarked upon a review of the MGCC's *Raffle Terms and Conditions* with the objectives of reflecting the needs and experiences of licensees, while maintaining the integrity of the raffles. The Committee oversaw a complex and extensive examination of many factors related to the licensing of raffles, incorporating input and analysis from a wide range of resources.

Advice of MGCC Staff

It was recognized that a key starting point for a review of this nature is an accurate assessment of the current situation. The review began early in 2000, with an intense scrutiny of the existing terms and conditions by MGCC staff, representing the perspectives of the licensing, audit and field operations departments. Staff from each of these function areas brought a different view of the terms and conditions. The input of MGCC staff in

a way represented the first glance at input from licensees, in that each MGCC department brought to the process a perspective influenced by years of experience in listening to licensee concerns, questions and experiences. Also, seeking input from function areas beyond the licensing department - from auditors, who have reviewed thousands of licensee financial reports, and inspectors, who regularly visit face-to-face with licensees - made certain that as many angles as possible of each issue were anticipated and discussed. Beginning the review with an evaluation of the existing terms and conditions by MGCC staff established starting points for the issues that would require comment and advice from raffle stakeholders.

Stakeholder Input

Careful consideration was given to seeking stakeholder input. The Committee recognized that the input of raffle licensees would comprise one of the key elements of the review.

A survey was developed focusing on specific areas of concern identified to MGCC staff by current and previous raffle licensees.

RAFFLE LICENSEE SURVEY 2001

The characteristics of respondent organizations fairly accurately reflected the makeup of MGCC raffle licensees, lending confidence to the knowledge gained from the survey. The following are some of the summary results:

Number and Size of Raffles

- 90% of respondents have held an average of 1-2 raffles per year in the past five years, indicating relatively active/experienced raffle licensees.
- The majority of respondents have not held raffles with total prize values exceeding $25,000 in the past five years and do not intend to significantly increase their highest total prize value over the next five years.

Resources

- 94% of raffle licensees rely on volunteers as their primary resource in conducting raffles; internal staff temporarily devoted to conducting the raffle is the second most relied upon resource-by 28% of organizations.
- Outside service providers such as marketing firms, call centres and fulfillment firms are more likely to be used by licensees offering prizes with total prize values over $50,000.

Competition

- 59% of organizations indicated that they make marketing decisions based on both their own and other organizations' fundraising initiatives and raffles. This indicates an actively competitive environment.
- Only 20% indicated that they ever suffered seriously negative effects from competition, such as a revenue shortfall, and only 9% of respondents indicated that they are "often" or "every time" negatively affected by competition from another raffle or fundraising activity.

Cooperation

- 30% of respondents indicated that they cooperate, or have done so, with other organizations in conducting a raffle.
- 56% of respondents indicated perceived benefits in partnering with another organization and 68% indicated perceived drawbacks (An organization could indicate both benefits and drawbacks). However, those indicating benefits were more likely to see multiple benefits.

Expenses

- 54% of respondents found that existing expense limits were "reasonable" or "very reasonable".

Financial Reporting

- 40% of respondents indicated that they found it difficult to provide financial reports and supporting documentation within 30 days of their final draw date.

Comments

- While the survey targeted specific areas of concern, the final question allowed for general comments on the existing *Raffle Terms and Conditions*. Over half of the respondents provided comments in this section which provided helpful feedback and in some instances led to customer service follow-ups by MGCC licensing staff.

Two-hundred sixty-three surveys were mailed out in January 2001 to all organizations licensed by the MGCC to conduct raffle lotteries during the period between 1997 and 2002. This breadth of survey recipients was chosen to encompass a wide scope of licensee views and experiences. The MGCC was impressed by the extremely positive response from licensees. A normal response rate for a survey of this kind is usually 10%. The response rate for this survey far exceeded expectations with 100 completed surveys, from a diverse range of charitable organizations, returned in just three weeks, reflecting a response rate of 39%. Feedback from survey respondents indicated that the good response to the survey was due to the fact that licensees reacted very positively to having been asked for their input.

The licensee survey was just one of the ways that advice and information were sought from stakeholders. Licensees were also given the opportunity to request further discussion with MGCC Commissioners and staff, either by telephone or in person, on issues related to the review of raffle terms and conditions. Eight organizations took advantage of this opportunity. Stakeholder meetings were held in March 2001, further adding to the Committee's knowledge of licensee concerns and experiences.

Another viewpoint was sought from Manitoba's First Nations Gaming Commissions. The MGCC wanted to ensure that their input was included in consideration of the development of the new terms and conditions because, in accordance with their Gaming Commission Agreements, the *Raffle Terms and Conditions* set by Manitoba's 32 First Nations Gaming Commissions must be the same as those issued by the MGCC. In approaching this aspect of stakeholder input, the Committee recognized that the concerns of a regulatory agency are different from those of a licensee. A special questionnaire, similar to the one sent to raffle licensees, was sent to the licensing officers of each of the province's First Nations Gaming Commissions. A total of ten surveys were returned, representing a 31% response rate. Results from the First Nations Gaming Commissions closely mirrored the results from the survey of MGCC licensees.

The three components of stakeholder input: the licensee survey, stakeholder meetings and the First Nations Gaming Commissions survey combined as a whole to provide a good reflection of the perceptions, experiences and intentions of the MGCC's key raffle stakeholders. Other aspects of the review would augment and enhance this knowledge.

Other Canadian Provincial Licensing Authorities

While charitable gaming terms and conditions are unique to each province, the roles and responsibilities of gaming authorities in each province are similar. It was evident that an examination of other licensing jurisdictions was essential in ensuring that the new terms and conditions took into account successful practices

PROVINCIAL LICENSING AUTHORITIES SURVEY 2000 – SUMMARY POINTS

- Manitoba's requirements for raffle applicants were in keeping with most other jurisdictions.
- Manitoba and New Brunswick were the only provinces to limit prize values.
- Several provinces required more detailed information from applicants for raffles with larger prize values such as: detailed business plans or marketing strategies, prize guarantees, or stricter reporting requirements.
- No jurisdiction registered suppliers of raffle prizes but five jurisdictions registered suppliers of services (i.e. professional fundraisers, management firms, audit firms, etc.).

and any potential problems experienced by other licensing authorities. A survey of other Canadian jurisdictions, which was created to gather information on issues associated with prize limits, among other issues, was conducted in the summer of 2000.

Assistance was also gathered from other licensing jurisdictions in less structured ways throughout the review. The Committee reviewed certain aspects of other jurisdictions' terms and conditions and sought advice on various areas of interest or concern as the need arose. Input from other provincial licensing jurisdictions was an integral source of external information and added to stakeholder input and MGCC staff advice allowed the Committee to move from an analysis of the existing terms and conditions to the development of new terms and conditions.

Bringing it all together – New *Raffle Terms and Conditions*

Throughout the course of the review the Charitable Gaming Committee examined and discussed the existing terms and conditions, taking into consideration the knowledge gained through each of the information gathering aspects of the review. Taking into account the needs of licensees and the advice of staff from both Manitoba and other provinces proved a challenging task. At the same time the Committee kept in mind the goals of the review to meet the mandate of the MGCC by maintaining the integrity of raffles in the best interest of the public. Another intent of the review was to allow the flexibility for charities to be creative in their fundraising through this form of gaming. The Committee incorporated all of this into their development of recommendations for new terms and conditions. These recommendations were then presented to the MGCC Board of Commissioners for further discussion and deliberations. MGCC legal counsel reviewed the recommendations to ensure that they were in accordance with all related legislation. The Board approved final recommendations for new *Raffle Terms and Conditions* and forwarded them for review to the Minister charged with the administration of *The Gaming Control Act* in the latter part of 2001. The new MGCC *Raffle Terms and Conditions* come into effect in the new fiscal year on April 1, 2002.

KEY CHANGES TO *RAFFLE TERMS AND CONDITIONS*

The MGCC's terms and conditions governing raffle licences have been completely revised based on the recommendations resulting from the review.

New Expense Limits

Expense limits are increased to a maximum of 20% of anticipated gross revenues for all raffles.

- Both during the review process and over the past several years, several stakeholder groups indicated a need to spend a reasonable amount of money on marketing raffles in order to maximize profitability; the MGCC recognizes that some costs, such as marketing, production and distribution, have increased.

New Prize Limits

Organizations may be licensed to conduct, or be a participant in conducting, one raffle with a prize of more than $350,000 per year, no more than two raffles with prizes between $125,000 and $350,000 per year and an unlimited number of raffles with prizes under $125,000.

- All charitable organizations can now be licensed to hold raffles of any prize value and can plan their fundraising according to their own strategies, budgets and timetables.

Registration of Marketing Companies

Licensees may only use marketing services which are provided by a supplier who is registered with the MGCC.

- Registration requirements are an important part of the MGCC's mission of ensuring the honesty and integrity of gaming in Manitoba.
- Examples of marketing service suppliers include marketing consultants or agencies, ticket sales processing (fulfillment) companies and telemarketing firms.

New Reporting Timelines

Organizations are permitted up to 60 days after the final raffle draw to submit financial reports and disburse funds.

- This permits groups a more reasonable amount of time to submit information regarding banking and final disbursement of funds.

More Flexible Ticket Requirements

Any ticket format may be submitted for consideration with a licence application and will be evaluated for approval by the MGCC based on aspects of the scheme.

- The MGCC will consider a wider range of ticket types, in response to the current trends, while ensuring full and proper disclosure for raffle purchasers/participants.

REVIEW OF *BINGO/ BREAKOPEN TERMS AND CONDITIONS*

In the new fiscal year the Charitable Gaming Committee will begin a review of the terms and conditions for bingo and breakopen licensing. This review will be guided by the same principles as the raffle review; to better meet the needs of the charitable organizations served by the MGCC, while ensuring the MGCC's mandate of honesty, integrity and furthering the public interest.

As with the raffle review, the review of bingo and breakopen licensing will also commence with an evaluation of the content and context of the existing terms and conditions. An assessment of these by MGCC staff and the resulting recommendations presented to the Committee will help identify key areas or issues for comment and advice from stakeholders. Stakeholder consultations are expected to take place in the fall of 2002. An analysis of the information gathered from MGCC staff and stakeholder consultations will be further enhanced by an examination of policies and practices in other licensing jurisdictions.

The Charitable Gaming Committee will integrate each of these areas of consideration into recommendations for revisions to the terms and conditions that they will then put forward to the Board of Commissioners for discussion and final approval. It is hoped that the new *Bingo/Breakopen Terms and Conditions* will become effective in 2003.

CHARITABLE GAMING 1997-1998 TO 2001-2002

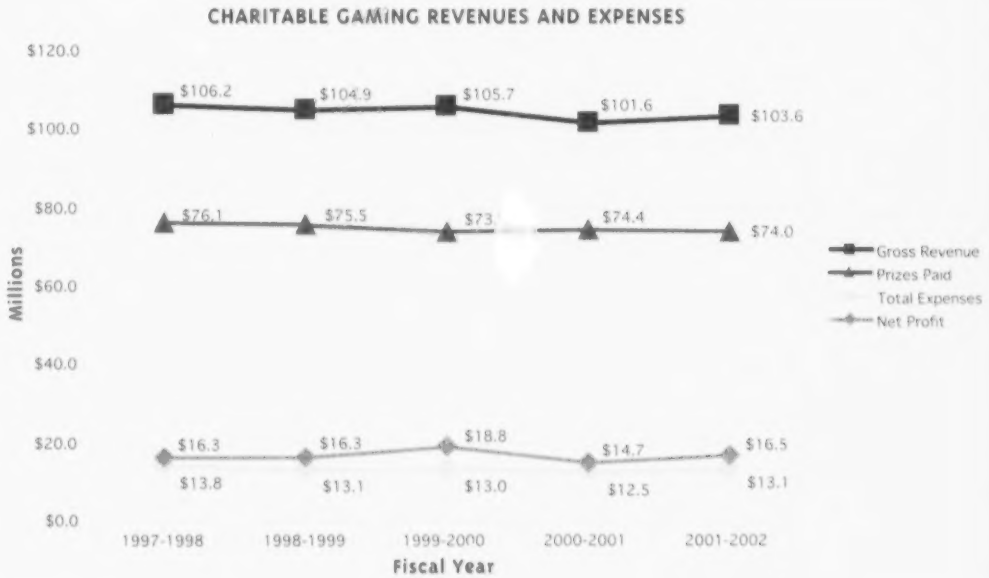
The MGCC licenses charitable organizations to operate bingo, breakopen ticket, raffle, wheel of fortune, Calcutta Auction, Monte Carlo, and sports draft activities taking place in Manitoba, with the exception of municipal charitable gaming licences for raffles with prizes under $3,000, and First Nations Gaming Commission licensed events.

In the five years that the MGCC has been responsible for licensing the majority of charitable gaming activities in Manitoba, both revenues and expenses for these events have remained relatively consistent.

- The difference in gross revenues for all charitable gaming activities licensed by the MGCC has ranged from a high of $106.2 million in the 1997-1998 fiscal year to $103.6 million in the current year (2001-2002). Consideration of these numbers does not however represent a slow year-over-year decline, as over these five years gross revenues have both decreased and increased in current year to previous year comparisons.

	Licensed Events	Gross Revenue	Prizes Paid	Prizes Paid as % of Gross Revenue	Total Expenses	Total Expenses as % of Gross Revenue	Net Profit	Net Profit as % of Gross Revenue
2001-2002	1135	$103.6	$74.0	71.4%	$13.1	12.6%	$16.5	15.9%
2000-2001	1125	$101.6	$74.4	73.2%	$12.5	12.3%	$14.7	14.5%
1999-2000	1188	$105.7	$73.9	69.9%	$13.0	12.3%	$18.8	17.8%
1998-1999	1219	$104.9	$75.5	72.0%	$13.1	12.5%	$16.3	15.5%
1997-1998	1307	$106.2	$76.1	71.7%	$13.8	13.0%	$16.3	15.3%

- Total prizes paid out for all MGCC licensed activities have fluctuated only somewhat over the five-year period. Prizes paid in the current fiscal year (2001-2002) of $74.0 million represent a 3% difference from the $76.1 million paid out as prizes in the 1997-1998 fiscal year. These two fiscal years also represent the lowest and highest amounts respectively for prizes paid in the past five years, with only minor variations, increases and decreases, in the intervening years.



- Total expenses, which do not include prizes paid, shows minimal variations from the 1997-1998 fiscal year to the current year (2001-2002). They range from a high in 1997-1998 of $13.8 million to a low of $12.5 million last fiscal year (2000-2001). However, in four out of the five years, total expenses ranged by only $800,000, between $13.0 million in 1999-2000 and $13.8 million in 1997-1998. As MGCC terms and conditions set expense limits based on expected gross revenue for the majority of gaming activities it licenses, it makes sense that fluctuations in total expenses will, to a large extent, mirror fluctuations in gross revenues.

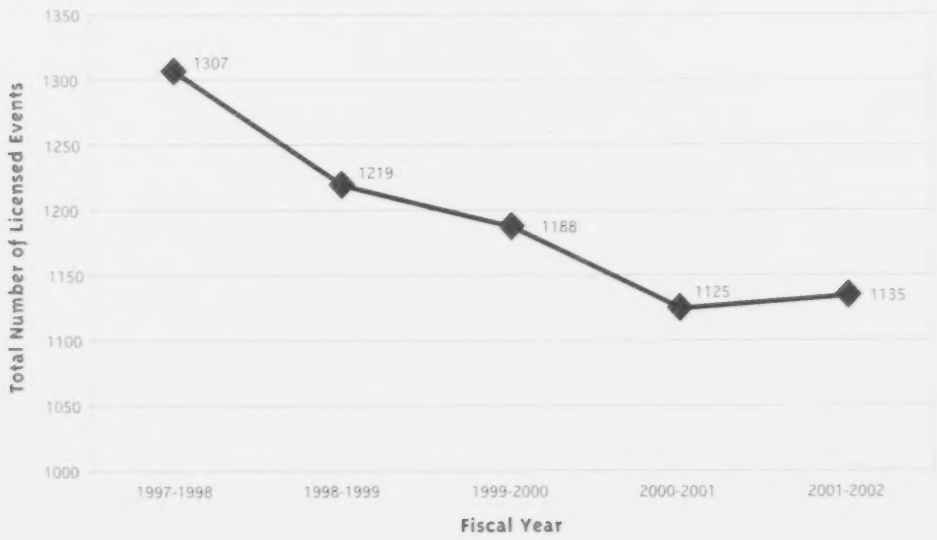
- Net profits to charities were $16.3 million in the first two years of MGCC operations, with the five-year peak in the MGCC's third fiscal year ($18.8 million) and a decline to the five-year low ($14.7 million) the following year (2000-2001). In the current year (2001-2002) they then increased to the second highest level ($16.5 million) over the five-year period. These figures therefore represent no definitive trend, other than to demonstrate that fairly consistent net profits have been returned to charities in the past five years.

- The only significant trend that presents itself in an analysis of the charitable gaming figures over the past five years is the decline in the number of licensed events. In 1997-1998 there were 1307 licences issued by the MGCC and in 2001-2002 there were 1135. This represents a decrease of 172 or 13%. Also the decreases have been consistent, occurring in all but the most recent year (2001-2002) where the number of licences increased by 10.

An examination of the charitable gaming figures over the past five years therefore indicates two key pieces of information; a steady decrease in the number of licences issued and only minor fluctuations with no clearly negative or positive trends in revenue or expense figures. This steady decrease in the number of licences issued, coupled with the analyses of revenue figures, seems to indicate that the same amounts of charitable gaming profits are ultimately benefiting Manitoba charities but that some organizations are successful at the expense of others.

The MGCC will continue to monitor charitable gaming figures in order to gain knowledge related to the experiences of the charitable organizations that we serve and to further our public interest mandate.

CHARITABLE GAMING LICENSED EVENTS



SERVING OUR STAKEHOLDERS

Our commitment to serving all stakeholders continues to evolve into improved processes and enhanced services. This is evident in the Commission's accomplishments and goals related to charitable gaming activities.

Since our establishment in late 1997, we have listened to licensees and other stakeholders; researched options; shared experiences with other jurisdictions; examined and improved processes and procedures; and evaluated possibilities. Our work in this regard helps us to meet the needs of our clients, and in doing so, to meet our regulatory and advisory responsibilities. The examination and re-examination of our roles and capabilities requires the Board, management and staff of the Commission to evaluate our effectiveness and refine our services. Our persistence in reassessing ourselves and our activities reflects what will continue to be both a focus and goal in years to come.

Results that are already evident to our charitable gaming stakeholders are apparent in streamlined administrative procedures, in policies that more accurately reflect our mandate and in a greater flexibility in how we carry out our regulatory functions. Changes have manifested themselves in revised *Raffle Terms and Conditions* which better reflect the experiences of charitable organizations; new licence applications and application guides which simplify the application process; better access to information about charitable gaming licensing on our website at **www.mgcc.mb.ca**; and significant changes in administrative policies that permit faster turn-around times for client services.

Anticipated this coming fiscal year, is the ability to accept on-line licence applications, renewals and financial reports, further simplifying our relationship with our charitable licensees without compromising regulatory requirements. We also look forward to the completion of the review of *Bingo/Breakopen Terms and Conditions* and to the benefits which will accrue to charities. The 2001-2002 annual report, and this special section on Charitable Gaming, is a reflection of our accomplishments, and a statement of our goals and objectives. As such, as Manitoba's charitable gaming environment continues to change the MGCC will persist in evolving with it.

FINANCIAL

STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2002

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AUDITORS' REPORT

To the Members of
MANITOBA GAMING CONTROL COMMISSION

We have audited the balance sheet of MANITOBA GAMING CONTROL COMMISSION as at March 31, 2002 and the statements of operations and surplus and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

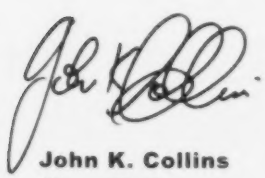
Chartered Accountants

Winnipeg, Manitoba
May 30, 2002

March 31	2002	2001
Assets		
Current Assets		
Cash	**$ 179,931**	$ 130,574
Short-term investments	**2,903,982**	2,540,955
Accounts receivable	**155,332**	147,302
	3,239,245	2,818,831
Capital assets (Note 1)	**552,912**	403,904
	$ 3,792,157	$ 3,222,735
Liabilities and Surplus		
Current Liabilities		
Accounts payable and accrued liabilities	**$ 582,100**	$ 423,755
Deferred revenue (Note 2)	**1,196,640**	1,162,735
	1,778,740	1,586,490
Deferred lease inducements (Note 3)	**58,625**	69,125
	1,837,365	1,655,615
Surplus	**1,954,792**	1,567,120
	$ 3,792,157	$ 3,222,735

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

On behalf of the Board:



John K. Collins
Vice-Chair

STATEMENT OF OPERATIONS AND SURPLUS

For the year ended March 31	2002	2001
Revenue		
Registration fees	**$ 2,250,727**	$ 2,157,800
License fees	**1,386,668**	1,344,186
	3,637,395	3,501,986
Expenses		
Salaries and benefits	**2,338,617**	2,340,916
Other expenses (Note 4)	**308,221**	411,195
Rent	**140,202**	139,696
Transportation	**131,837**	120,711
Amortization	**89,429**	94,776
Communications	**82,074**	77,568
Legal and professional fees	**78,774**	78,642
Commission Board	**73,112**	42,945
Supplies and services	**63,343**	70,373
Accommodations	**41,978**	31,102
	3,347,587	3,407,924
Income before other items	**289,808**	94,062
Other Items		
Other income	**25,721**	62,900
Interest income	**72,143**	100,067
	97,864	162,967
Excess of revenue for the year	**387,672**	257,029
Surplus, beginning of year	**1,567,120**	1,310,091
Surplus, end of year	**$ 1,954,792**	$ 1,567,120

The accompanying Summary of Significant Accounting Policies and Notes are an integral part of these financial statements.

For the year ended March 31	2002	2001
Cash Flows from Operating Activities		
Excess of revenue for the year	**$ 387,672**	$ 257,029
Items not involving cash		
Amortization of capital assets	**91,506**	96,977
	479,178	354,006
Changes in non-cash working capital balances		
Accounts receivable	**(8,030)**	23,597
Accounts payable and accrued liabilities	**158,345**	(23,503)
Deferred revenue	**33,905**	(13,850)
	663,398	340,250
Cash Flows from Investing Activities		
Purchase of capital assets	**(240,514)**	(36,720)
Cash Flows from Financing Activities		
Deferred lease inducements	**(10,500)**	(10,500)
Increase in cash and cash equivalents during the year	**412,384**	293,030
Cash and cash equivalents, beginning of year	**2,671,529**	2,378,499
Cash and cash equivalents, end of year	**$ 3,083,913**	$ 2,671,529
Represented by		
Cash	**$ 179,931**	$ 130,574
Short-term investments	**2,903,982**	2,540,955
	$ 3,083,913	$ 2,671,529

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

March 31, 2002

Nature of Business

The Manitoba Gaming Control Commission was established by The Gaming Control Act. The organization's objectives are to regulate and control gaming activity in the province with the aims of ensuring that gaming activity is conducted honestly, with integrity and in the public interest. The organization began its operations on October 20, 1997.

Financial Instruments

The organization's financial instruments consist of cash, short-term investments, accounts receivable, and accounts payable. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization based on the estimated useful life of the asset is calculated as follows:

Equipment	20% declining balance basis
Furniture and fixtures	10 % declining balance basis
Computer equipment	30 % declining balance basis

Revenue Recognition

Revenue and expenses are recorded on an accrual basis except for license fee revenue, which is recognized on a cash receipt basis.

March 31, 2002

1. Capital Assets

	Cost	Accumulated Amortization	2002 Net Book Value	2001 Net Book Value
Equipment	$ 55,916	$ 30,859	$ 25,057	$ 30,921
Furniture and fixtures	295,769	106,310	189,459	210,413
Computer equipment	573,536	235,140	338,396	162,570
	$ 925,221	$ 372,309	$ 552,912	$ 403,904

2. Deferred Revenue

Deferred revenue consists of registration fees received to be recognized as revenue in the year in which the related expenses are incurred.

3. Deferred Lease Inducements

The organization has received lease inducements in the form of a rent-free period of approximately ten months. The benefits arising from these lease inducements are amortized over the term of the lease on a straight-line basis as reductions of rental expense. Rental expense has been reduced by $10,500 for the period ending March 31, 2002 ($10,500 in 2001) and an annual reduction in rental expense of approximately $10,500 is expected for the years 2003 through 2007.

4. Other Expenses

Other expenses includes the First Nations Implementation Team expenses of $143,137 ($251,911 in 2001).

5. Commitments

The organization has an operating lease for its premises at $12,094 per month, under a lease expiring in 2007.

The minimum annual lease payments for the next five years are as follows:

2003	$ 145,125
2004	145,125
2005	145,125
2006	145,125
2007	145,125

March 31, 2002

6. Economic Dependence

A substantial portion of the organization's total revenue is derived from Manitoba Lotteries Corporation in the form of registration fees.

7. Pension Plans

Substantially all of the employees of the Commission are members of a Money Purchase Pension Plan ("the Plan"), which is a defined contribution pension plan available to all eligible employees of the Commission. Upon retirement, plan members will receive benefits based on contributions made to the Plan during the employees' years of service.

The remainder of the employees are members of the Province of Manitoba's defined benefit Superannuation Pension Fund. Liability for variances between actuarial funding estimates and actual experience lies with the Province.

The Commission's portion of contributions to these plans is recognized as operating expenses in the period of contribution. Total contributions for the year are $60,597 ($52,634 in 2001).

BOARD OF

COMMISSIONERS

Darlene Dziewit - Chairperson - Winnipeg

John Collins - Vice -Chairperson - Winnipeg

Shelly Blanco - Member - Selkirk

Lucille Cenerini - Member - St. Boniface

Nelson Keeper - Member - Little Grand Rapids

Joseph Stadnyk - Member - Brandon

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